

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2013
Gary Nicholson	Board of Supervisors	Jan. 2013
Scott Jacobs	Board of Supervisors	Jan. 2015
Judy Howrey	County Auditor	Jan. 2013
Lori Erkenbrack	County Treasurer	Jan. 2015
Kathy Bennett	County Recorder	Jan. 2015
William A. Davis	County Sheriff	Jan. 2013
Cynthia Voorde	County Attorney	Jan. 2015
Joan Wagner	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 10 and 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the nine year period ending June 30, 2011 (which are not presented herein), and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungelman, Putzier & Co., PLC

January 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 18.5%, or \$3,035,679, from fiscal 2011 to fiscal 2012. Charges for services decreased \$28,088, operating grants and contributions decreased \$2,433,668, property tax increased \$165,860, unrestricted investment earnings decreased \$10,955, and capital grants and contributions decreased \$757,669.
- Program expenses of the County's governmental activities were 22.9%, or \$2,458,905, more in fiscal 2012 than in fiscal 2011.
- The County's net assets increased .6%, or \$147,970 from June 30, 2011, to June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three categories of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2012 totaled approximately \$25.1 million, increasing from \$25 million for fiscal year 2011. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	<u>2012</u>	<u>June 30</u> <u>2011</u>
Current and other assets	\$ 17,062,663	\$ 16,618,536
Capital assets	<u>16,183,333</u>	<u>16,602,893</u>
Total assets	<u>33,245,996</u>	<u>33,221,429</u>
Long-term liabilities	899,717	902,196
Other liabilities	<u>7,201,366</u>	<u>7,322,290</u>
Total liabilities	<u>8,101,083</u>	<u>8,224,486</u>
Net assets		
Invested in capital assets	16,183,333	16,602,893
Restricted	7,372,343	7,121,351
Unrestricted	<u>1,589,237</u>	<u>1,272,699</u>
Total net assets	<u>\$ 25,144,913</u>	<u>\$ 24,996,943</u>

Net assets of Calhoun County's governmental activities increased by \$147,970 from fiscal year 2011. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,309,631	\$ 1,337,719
Operating grants, contributions, and restricted interest	4,489,387	6,923,055
Capital grants, contributions, and restricted interest	762,786	1,520,455
General revenues:		
Property tax	6,049,300	5,883,440
Penalty and interest on property tax	35,405	47,196
State tax credits	263,220	261,994
Local option sales tax	287,612	236,301
Unrestricted investment earnings	133,470	144,425
Other general revenues	4,334	16,239
Total revenues	<u>13,335,145</u>	<u>16,370,824</u>
Program expenses:		
Public safety and legal services	1,858,688	1,760,577
Physical health and social services	1,984,622	2,168,694
Mental health	1,536,709	1,258,467
County environment and education	689,586	686,840
Roads and transportation	5,145,861	2,881,343
Governmental services to residents	535,210	500,684
Administration	1,194,910	1,256,798
Non-program	215,969	167,783
Interest on long-term debt	25,620	47,084
Total expenses	<u>13,187,175</u>	<u>10,728,270</u>
Increase in net assets	147,970	5,642,554
Net assets beginning of year, as restated (prior year)	<u>24,996,943</u>	<u>19,354,389</u>
Net assets end of year	<u>\$ 25,144,913</u>	<u>\$ 24,996,943</u>

Calhoun County decreased property taxes from a total levy of 11.79691 to 11.65481 from fiscal year 2011 to fiscal year 2012.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$9,884,458, an increase of \$714,614 from last year's total of \$9,169,844. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased by \$149,861, and expenditures decreased by \$37,693. The General Fund ending balance increased by \$291,793 from the prior year to \$3,820,941.
- Mental Health Fund revenues decreased by \$4,316. Mental health expenditures increased \$284,360. The fund balance at the end of fiscal year 2012 was \$(89,781). The County is restricted as to how much they can levy in this area and the state only provides a limited amount of support so the expenditures can only be paid by these two sources.
- Rural Services Fund ending balance increased \$132,203 from the prior year.

- Secondary Roads Fund revenues decreased \$2,487,624 and expenditures decreased \$128,416. The revenue decrease is due to the amount received from the state for the transfer of jurisdiction for Highway 20 in the previous fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. There were various reasons for the amendments including: I-Jobs reimbursement and expense for new EMS building, Sheriff's expense, veterans grant, Toledo expense, mental health costs, weed commissioner expense, Treasurer's expense, and computer expense.

With these amendments, the County did not exceed the amounts budgeted.

CAPITAL ASSETS

At June 30, 2012, Calhoun County had approximately \$16.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 565,548	\$ 565,548
Buildings and improvements	1,564,533	1,067,870
Equipment and vehicles	3,734,252	3,891,603
Intangibles	72,265	75,904
Construction in progress	452,395	310,135
Infrastructure, road network	<u>9,794,340</u>	<u>10,691,833</u>
Total	<u>\$ 16,183,333</u>	<u>\$ 16,602,893</u>

The County had depreciation expense of \$1,446,365 in fiscal year 2012, and total accumulated depreciation of \$8,456,944 at June 30, 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 2000 was 11,115 and 2010 was 9,670. The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

All departments budget very conservatively. There was a 1% increase for wages due to the economy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Cash and pooled investments	\$ 9,197,010
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	15,358
Succeeding year	5,963,478
Interest and penalty on property tax	58,784
Accounts	449,419
Accrued interest	27,093
Drainage assessments	250,367
Due from other governments	164,449
Inventories	858,157
Prepaid expenses	78,548
Land	565,548
Construction in progress	452,395
Capital assets (net of accumulated depreciation/amortization)	<u>15,165,390</u>
Total Assets	<u>\$ 33,245,996</u>
<u>LIABILITIES</u>	
Accounts payable	458,351
Salaries and benefits payable	149,698
Due to other governments	316,516
Interest payable	62,034
Deferred revenue:	
Succeeding year property tax	5,963,478
Other	251,289
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	439,048
Portion due or payable after one year:	
Drainage warrants payable	444,734
Net OPEB liability	<u>15,935</u>
Total liabilities	<u>8,101,083</u>
<u>NET ASSETS</u>	
Invested in capital assets	16,183,333
Restricted for:	
Supplemental levy purposes	2,161,445
Secondary roads purposes	3,893,858
Other purposes	1,317,040
Unrestricted	<u>1,589,237</u>
Total net assets	<u>\$ 25,144,913</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Exhibit B

Functions/Programs	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Governmental activities:					
Public safety and legal services	\$ 1,858,688	\$ 120,784	\$ 66,757	\$ -	\$ (1,671,147)
Physical health and social services	1,984,622	619,473	633,458	-	(731,691)
Mental health	1,536,709	2,358	772,116	-	(762,235)
County environment and education	689,586	172,340	10,190	-	(507,056)
Roads and transportation	5,145,861	120,087	2,998,190	499,925	(1,527,659)
Governmental services to residents	535,210	224,814	8,404	-	(301,992)
Administration	1,194,910	49,775	272	-	(1,144,863)
Non-program	215,969	-	-	262,861	46,892
Interest on long-term debt	25,620	-	-	-	(25,620)
Total	<u>\$13,187,175</u>	<u>\$ 1,309,631</u>	<u>\$ 4,489,387</u>	<u>\$ 762,786</u>	<u>(6,625,371)</u>
General Revenues:					
Property and other county tax					6,049,300
Penalty and interest on property tax					35,405
State tax credits					263,220
Local option sales tax					287,612
Unrestricted investment earnings					133,470
Miscellaneous					4,334
Total general revenues					<u>6,773,341</u>
Change in net assets					147,970
Net assets beginning of year					<u>24,996,943</u>
Net assets end of year					<u>\$ 25,144,913</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Exhibit C

		Special Revenue					
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total	
ASSETS							
Cash and pooled investments	\$ 3,279,003	\$ 261,382	\$ 499,129	\$3,235,598	\$ 1,657,642	\$ 8,932,754	
Receivables:							
Property tax:							
Delinquent	19,836	2,043	842	-	-	22,721	
Succeeding year	3,910,334	410,967	1,642,177	-	-	5,963,478	
Interest and penalty on property tax	65,917	-	-	-	-	65,917	
Accounts	415,784	-	4,790	1,409	27,436	449,419	
Accrued interest	27,073	-	-	-	7	27,080	
Drainage assessments	-	-	-	-	250,367	250,367	
Due from other governments	84,201	85	-	59,387	20,776	164,449	
Inventories	-	-	-	858,157	-	858,157	
Prepaid expenses	133,316	1,475	865	67,124	-	202,780	
Total assets	\$ 7,935,464	\$ 675,952	\$2,147,803	\$4,221,675	\$ 1,956,228	\$16,937,122	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 25,665	\$ 44,483	\$ 8,855	\$ 102,828	\$ 46,794	\$ 228,625	
Salaries and benefits payable	83,210	1,632	7,446	57,410	-	149,698	
Due to other governments	9,560	306,608	-	348	-	316,516	
Interest payable	-	-	-	-	62,034	62,034	
Deferred revenue:							
Succeeding year property tax	3,910,334	410,967	1,642,177	-	-	5,963,478	
Other	85,754	2,043	842	-	243,674	332,313	
Total liabilities	4,114,523	765,733	1,659,320	160,586	352,502	7,052,664	
Fund balances:							
Nonspendable							
Inventories	-	-	-	858,157	-	858,157	
Prepaid expenses	133,316	1,475	865	67,124	-	202,780	
Restricted for:							
Supplemental levy purposes	2,174,216	-	-	-	-	2,174,216	
Rural services purposes	-	-	487,618	-	-	487,618	
Secondary roads purposes	-	-	-	2,847,108	-	2,847,108	
Other purposes	-	-	-	-	507,207	507,207	
Committed for:							
Secondary roads gravel and vehicle	-	-	-	288,700	-	288,700	
Capital projects	-	-	-	-	84,000	84,000	
Assigned for:							
Conservation capital improvements	-	-	-	-	427,769	427,769	
Capital projects	-	-	-	-	280,000	280,000	
Park road and pad improvements	-	-	-	-	50,000	50,000	
Unassigned	1,513,409	(91,256)	-	-	254,750	1,676,903	
Total fund balances	3,820,941	(89,781)	488,483	4,061,089	1,603,726	9,884,458	
Total liabilities and fund balances	\$ 7,935,464	\$ 675,952	\$2,147,803	\$4,221,675	\$ 1,956,228	\$16,937,122	

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit D

Total governmental fund balances	\$ 9,884,458
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$24,640,277 and the accumulated depreciation/amortization is \$8,456,944.	16,183,333
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	88,639
The allowance for uncollectible accounts receivable is not reported in the governmental funds.	(14,495)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Assets.	(97,305)
Compensated absences payable, other postemployment benefits payable, and drainage warrants payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(899,717)</u>
Net assets of governmental activities	<u>\$25,144,913</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Exhibit E

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:						
Property and other County tax	\$3,972,251	\$ 409,162	\$1,669,666	\$ 143,806	\$ 143,806	\$6,338,691
Interest and penalty on property tax	33,281	-	-	-	-	33,281
Intergovernmental	969,859	790,338	70,644	3,045,720	112,095	4,988,656
Licenses and permits	12,581	-	-	2,660	-	15,241
Charges for services	846,716	-	19,967	-	9,386	876,069
Use of money and property	128,658	-	-	-	151	128,809
Miscellaneous	49,403	120	534	57,739	195,615	303,411
Total revenues	<u>6,012,749</u>	<u>1,199,620</u>	<u>1,760,811</u>	<u>3,249,925</u>	<u>461,053</u>	<u>12,684,158</u>
Expenditures:						
Operating:						
Public safety and legal services	1,487,683	-	328,194	-	12,878	1,828,755
Physical health and social services	1,943,008	-	-	-	-	1,943,008
Mental health	-	1,535,643	-	-	-	1,535,643
County environment and education	463,063	-	150,072	-	-	613,135
Roads and transportation	1,696	-	47,150	4,091,327	-	4,140,173
Governmental services to residents	492,379	-	1,382	-	7,087	500,848
Administrative	907,110	-	1,319	-	-	908,429
Non-program	2,090	-	-	-	239,500	241,590
Capital projects	-	-	-	-	286,601	286,601
Total expenditures	<u>5,297,029</u>	<u>1,535,643</u>	<u>528,117</u>	<u>4,091,327</u>	<u>546,066</u>	<u>11,998,182</u>
Excess (deficiency) of revenues over expenditures	<u>715,720</u>	<u>(336,023)</u>	<u>1,232,694</u>	<u>(841,402)</u>	<u>(85,013)</u>	<u>685,976</u>
Other financing sources (uses):						
Sale of capital assets	1,526	-	-	-	501	2,027
Operating transfers in	-	-	-	1,205,478	320,466	1,525,944
Operating transfers out	(425,453)	-	(1,100,491)	-	-	(1,525,944)
Drainage district warrants	-	-	-	-	26,611	26,611
Total other financing sources (uses)	<u>(423,927)</u>	<u>-</u>	<u>(1,100,491)</u>	<u>1,205,478</u>	<u>347,578</u>	<u>28,638</u>
Net change in fund balances	291,793	(336,023)	132,203	364,076	262,565	714,614
Fund balances, beginning of year	<u>3,529,148</u>	<u>246,242</u>	<u>356,280</u>	<u>3,697,013</u>	<u>1,341,161</u>	<u>9,169,844</u>
Fund balances, end of year	<u>\$3,820,941</u>	<u>\$ (89,781)</u>	<u>\$ 488,483</u>	<u>\$ 4,061,089</u>	<u>\$ 1,603,726</u>	<u>\$9,884,458</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Exhibit F

Net change in fund balances - Total governmental funds		\$ 714,614
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year as follows:		
Expenditures for capital assets	\$ 1,027,307	
Depreciation/amortization expense	<u>(1,446,365)</u>	(419,058)
In the Statement of Activities, the net effect of various transactions involving capital assets (i.e., sales and trade-ins) is reflected in depreciation expense, whereas the governmental funds report any proceeds from the disposition of assets as an increase in financial resources.		(501)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property tax		(1,723)
The increase in the allowance for uncollectible accounts receivable is not reported in the fund financial statements.		2,066
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:		
Issued drainage district warrants	\$ (206,188)	
Redeemed drainage district warrants	<u>179,577</u>	(26,611)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences		34,869
Other post employment benefits		(5,779)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		<u>(149,907)</u>
Change in net assets of governmental activities		<u>\$ 147,970</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

Exhibit G

	Internal Service Employee Group Health
<u>ASSETS</u>	
Cash and cash equivalents	\$ 264,256
Accrued interest	<u>13</u>
Total assets	<u>264,269</u>
 <u>LIABILITIES</u>	
Accounts payable	229,728
Deferred revenue	<u>131,846</u>
Total liabilities	<u>361,574</u>
 <u>NET ASSETS</u>	
Unrestricted	<u>\$ (97,305)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Exhibit H

	Internal Service Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 1,372,952
Reimbursements from employees and others	44,473
Insurance reimbursements	<u>88,193</u>
Total operating revenues	1,505,618
 Operating expenses:	
Medical claims and administrative fees	<u>1,660,186</u>
Operating loss	(154,568)
 Non-operating revenues:	
Interest income	<u>4,661</u>
Net loss	(149,907)
 Net assets beginning of year	<u>52,602</u>
 Net assets end of year	<u>\$ (97,305)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Exhibit I

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 44,473
Cash received from insurance reimbursements	89,427
Cash received from operating fund reimbursements	1,390,498
Cash payments for medical claims and administrative fees	<u>(1,689,795)</u>
Net cash used for operating activities	(165,397)
Cash flows from investing activities:	
Interest on investments	<u>4,656</u>
Net decrease in cash and cash equivalents	(160,741)
Cash and cash equivalents, beginning of year	<u>424,997</u>
Cash and cash equivalents, end of year	<u>\$ 264,256</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (154,568)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Decrease in accrued revenue	1,229
Decrease in accrued expenses	(29,604)
Increase in deferred revenue	<u>17,546</u>
Net cash used for operating activities	<u>\$ (165,397)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer

\$ 635,416

Other County officials

40,198

Receivables:

Property tax:

Delinquent

93,936

Succeeding year

10,191,003

Accounts

11,277

Due from other governments

19,293

Total assets

10,991,123

LIABILITIES

Accounts payable

3,573

Salaries payable

3,951

Due to other governments

10,981,563

Trusts payable

2,036

Total liabilities

10,991,123

Net Assets

\$ -

See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred twenty-six drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets net of accumulated depreciation/amortization.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting- (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010, assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Capital Assets - (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Intangibles	10
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement Number 3.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. CASH AND POOLED INVESTMENTS- (Continued)

The County's investments at June 30, 2012, include drainage district warrants with a carrying amount of \$160,586. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,964,667 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 104,987
	Special Revenue: Rural Services	<u>1,100,491</u>
		1,205,478
Capital Projects	General	<u>320,466</u>
Total		<u>\$ 1,525,944</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 565,548	\$ -	\$ -	\$ 565,548
Construction in progress	<u>310,135</u>	<u>613,808</u>	<u>471,548</u>	<u>452,395</u>
Total capital assets not being depreciated/amortized	<u>875,683</u>	<u>613,808</u>	<u>471,548</u>	<u>1,017,943</u>
Capital assets being depreciated/amortized:				
Buildings	1,722,986	547,896	-	2,270,882
Equipment and vehicles	8,167,763	330,489	41,843	8,456,409
Intangibles	168,465	13,661	-	182,126
Infrastructure, road network	<u>12,712,917</u>	<u>-</u>	<u>-</u>	<u>12,712,917</u>
Total capital assets being depreciated/amortized	<u>22,772,131</u>	<u>892,046</u>	<u>41,843</u>	<u>23,622,334</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

4. CAPITAL ASSETS- (Continued)

Less accumulated depreciation/amortization for:

Buildings	\$ 655,116	\$ 51,233	\$ -	\$ 706,349
Equipment and vehicles	4,276,160	480,339	34,342	4,722,157
Intangibles	92,561	17,300	-	109,861
Infrastructure, road network	2,021,084	897,493	-	2,918,577
Total accumulated depreciation/amortization	<u>7,044,921</u>	<u>1,446,365</u>	<u>34,342</u>	<u>8,456,944</u>
Total capital assets being depreciated/amortized, net	<u>15,727,210</u>	<u>(554,319)</u>	<u>7,501</u>	<u>15,165,390</u>
Governmental activities capital assets, net	<u>\$16,602,893</u>	<u>\$ 59,489</u>	<u>\$ 479,049</u>	<u>\$16,183,333</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 56,633
Physical health and social services	16,400
County environment and education	43,010
Roads and transportation	1,255,008
Governmental services to residents	17,766
Administration	<u>57,548</u>

Total depreciation/amortization expense--governmental activities \$ 1,446,365

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 9,560
Special Revenue:		
Mental Health	Services	306,608
Secondary Roads		<u>348</u>
Total for governmental funds		<u>\$ 316,516</u>
Agency:		
County Assessor	Collections	\$ 318,749
Schools		6,737,992
Community Colleges		467,924
Corporations		2,557,147
Auto License and Use Tax		267,183
All other		<u>632,568</u>
Total for agency funds		<u>\$ 10,981,563</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012, is as follows:

	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 418,123	\$ 10,156	\$ 473,917	\$ 902,196
Increases	206,188	5,779	-	211,967
Decreases	179,577	-	34,869	214,446
Balance, end of year	<u>\$ 444,734</u>	<u>\$ 15,935</u>	<u>\$ 439,048</u>	<u>\$ 899,717</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,048</u>	<u>\$ 439,048</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual salary and the County is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$334,662, \$289,464, and \$285,913, respectively, equal to the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees and retirees, and their spouses. There are 98 active and 2 retired members in the plan. Retired participants must have accumulated 20 years of service or have attained age 62 at retirement. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)- (Continued)

The medical, prescription drug, and dental coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur. The required contribution is based on projected pay-as-you go financing. Retirees receiving benefits have required monthly contributions of:

<u>Rate Tier</u>	<u>Health and Prescription Drug</u>	<u>Dental</u>
Retiree only	\$ 533	\$ 29
Retiree and family	1,168	59

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 5,919
Interest on net OPEB obligation	457
Adjustment to annual required contribution	<u>(597)</u>
Annual OPEB cost	5,779
Contributions made	<u>-</u>
Increase in net OPEB obligation	5,779
Net OPEB obligation beginning of year	<u>10,156</u>
Net OPEB obligation end of year	<u>\$ 15,935</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 5,919	13.62%	\$ 5,113
June 30, 2011	\$ 5,849	13.78%	\$ 10,156
June 30, 2012	\$ 5,779	0.00%	\$ 15,935

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)- (Continued)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$52,892, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,892. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,997,630 and the ratio of the UAAL to covered payroll was 1.32%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on 20% for actives currently electing coverage.

Projected claim costs of the medical plan are \$674 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. RISK MANAGEMENT

Calhoun County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

9. RISK MANAGEMENT - (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012, were \$170,576.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$200,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. EMPLOYEE HEALTH INSURANCE PLAN- (Continued)

Monthly payments of service fees and plan contributions in the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2012, was \$1,372,952.

Amounts payable from the Employee Group Health Fund at June 30, 2012, total \$229,728, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 259,336</u>
Incurred claims (including claims incurred but not reported at June 30, 2012):	
Current year events	<u>1,630,578</u>
Total incurred claims	<u>1,630,578</u>
Payments:	
Current year events	1,400,850
Prior year events	<u>259,336</u>
Total payments	<u>1,660,186</u>
Unpaid claims end of year	<u>\$ 229,728</u>

11. E911 NOTE PAYABLE

During the year ended June 30, 2003, Calhoun County loaned \$318,000 to the Calhoun County E911 Service Board. The ten year loan was interest free and was being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2012, the County received payments totaling \$23,375. The note was fully paid during the fiscal year.

12. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2012, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6/30/12</u>	<u>Remaining Commitment As of 6/30/12</u>
Roadway markings	\$ 18,010	\$ 5,367	\$ 12,643
Gravel crushing	\$ 140,000	\$ -	\$ 140,000
Courthouse windows	\$ 69,405	\$ -	\$ 69,405

The balance remaining at June 30, 2012, will be paid as work on the projects progresses.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. FARM LEASE

The County has entered into an agreement to lease 241.07 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$71,115 per year for each of the three years of the lease with payments of \$23,705 being due on or before each March 15, August 15, and December 1, of 2011, 2012, and 2013. This agreement commenced on March 1, 2011, and will end on February 28, 2014.

14. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

The Center's activity for the fiscal year ending June 30, 2011, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$ 189,854
Receipts	5,343,659
Disbursements	<u>5,347,882</u>
Net assets, end of year	<u>\$ 185,631</u>

During the year ended June 30, 2011, the Center received operating loan, mortgage loan and line of credit proceeds totaling \$2,187,331. At June 30, 2011, the balance outstanding on the mortgage loan was \$1,095,576 and the operating loan, line of credit, and revenue note were fully paid.

15. OPERATING LEASE

Calhoun County leases digital imaging equipment for its public health department and county attorney's office. Total expenses under these operating leases for the year ended June 30, 2012, was \$10,000. Future remaining minimum lease payments under these leases at June 30, 2012, are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 9,527
2014	8,899
2015	2,638
2016	2,638
2017	<u>242</u>
Total minimum lease payments	<u>\$ 23,944</u>

16. FINANCIAL CONDITION

The Special Revenue – Mental Health fund had a deficit balance of \$89,781 at June 30, 2012. The deficit balance was a result of payables as of June 30, 2012. The Proprietary Fund– Internal Service Employee Group Health had a deficit net asset balance of \$97,305 at June 30, 2012. The deficit balance was a result of payables as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

		Less Funds Not Required to be		<u>Budgeted Amounts</u>		Final to
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>	<u>Original</u>	<u>Final</u>	<u>Net Variance</u>
Receipts:						
Property and other County tax	\$ 6,317,261	\$ -	\$6,317,261	\$6,353,969	\$6,353,969	\$ (36,708)
Interest and penalty on property tax	33,281	-	33,281	30,000	30,000	3,281
Intergovernmental	5,142,622	-	5,142,622	5,054,403	5,250,467	(107,845)
Licenses and permits	17,441	-	17,441	12,050	12,050	5,391
Charges for service	878,581	-	878,581	683,590	683,590	194,991
Use of money and property	128,381	-	128,381	269,225	269,225	(140,844)
Miscellaneous	295,088	130,013	165,075	92,860	93,860	71,215
Total receipts	<u>12,812,655</u>	<u>130,013</u>	<u>12,682,642</u>	<u>12,496,097</u>	<u>12,693,161</u>	<u>(10,519)</u>
Disbursements:						
Public safety and legal services	1,811,941	-	1,811,941	1,944,888	1,959,332	147,391
Physical health and social services	1,981,975	-	1,981,975	2,339,214	2,379,214	397,239
Mental health	1,390,850	-	1,390,850	1,345,900	1,620,400	229,550
County environment and education	613,793	-	613,793	787,816	787,916	174,123
Roads and transportation	4,052,521	-	4,052,521	4,315,290	4,315,290	262,769
Governmental services to residents	501,328	-	501,328	548,836	548,916	47,588
Administration	912,619	-	912,619	1,030,730	1,040,571	127,952
Non-program	208,278	206,188	2,090	8,750	8,750	6,660
Capital projects	424,024	-	424,024	881,000	1,144,383	720,359
Total disbursements	<u>11,897,329</u>	<u>206,188</u>	<u>11,691,141</u>	<u>13,202,424</u>	<u>13,804,772</u>	<u>2,113,631</u>
Excess (deficiency) of receipts over disbursements	915,326	(76,175)	991,501	(706,327)	(1,111,611)	2,103,112
Other financing sources	<u>28,638</u>	<u>26,611</u>	<u>2,027</u>	<u>-</u>	<u>-</u>	<u>2,027</u>
Excess (deficiency) of receipts and other financing sources over disbursements	943,964	(49,564)	993,528	(706,327)	(1,111,611)	2,105,139
Balance beginning of year	<u>7,988,790</u>	<u>234,181</u>	<u>7,754,609</u>	<u>3,798,449</u>	<u>3,798,449</u>	<u>3,956,160</u>
Balance end of year	<u>\$ 8,932,754</u>	<u>\$ 184,617</u>	<u>\$8,748,137</u>	<u>\$3,092,122</u>	<u>\$2,686,838</u>	<u>\$6,061,299</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds		
	Cash <u>Basis</u>	Accrual <u>Adjustments</u>	Modified Accrual <u>Basis</u>
Revenues	\$ 12,812,655	\$ (128,497)	\$ 12,684,158
Expenditures	<u>11,897,329</u>	<u>100,853</u>	<u>11,998,182</u>
Net	915,326	(229,350)	685,976
Other financing sources, net	28,638	-	28,638
Beginning fund balances	<u>7,988,790</u>	<u>1,181,054</u>	<u>9,169,844</u>
Ending fund balances	<u>\$ 8,932,754</u>	<u>\$ 951,704</u>	<u>\$ 9,884,458</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$602,348. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; for the E911 System by the E911 Service Board; and for Disaster Services by the Calhoun County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

CALHOUN COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,805,000	1.39%
2011	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,900,125	1.35%
2012	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,997,630	1.32%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2012

Schedule 1

Special Revenue

	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Capital Projects	Total
<u>ASSETS</u>										
Cash and pooled investments	\$ 270,844	\$ 74,908	\$ 184,617	\$ 5,108	\$ 10,414	\$ 5,627	\$ 49,659	\$ 437,715	\$ 618,750	\$ 1,657,642
Receivables:										
Accounts	-	-	25,000	-	689	-	1,592	155	-	27,436
Interest	-	-	-	-	7	-	-	-	-	7
Drainage assessments	-	-	250,367	-	-	-	-	-	-	250,367
Due from other governments	20,776	-	-	-	-	-	-	-	-	20,776
Total assets	<u>\$ 291,620</u>	<u>\$ 74,908</u>	<u>\$ 459,984</u>	<u>\$ 5,108</u>	<u>\$ 11,110</u>	<u>\$ 5,627</u>	<u>\$ 51,251</u>	<u>\$ 437,870</u>	<u>\$ 618,750</u>	<u>\$ 1,956,228</u>
<u>LIABILITIES AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 11,443	\$ -	\$ 25,250	\$ -	\$ -	\$ -	\$ -	\$ 10,101	\$ -	\$ 46,794
Interest payable	-	-	62,034	-	-	-	-	-	-	62,034
Deferred revenue	-	-	243,674	-	-	-	-	-	-	243,674
Total liabilities	<u>11,443</u>	<u>-</u>	<u>330,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,101</u>	<u>-</u>	<u>352,502</u>
Fund balance:										
Restricted	280,177	24,908	129,026	5,108	11,110	5,627	51,251	-	-	507,207
Committed for capital projects	-	-	-	-	-	-	-	-	84,000	84,000
Assigned for:										
Conservation capital improvements	-	-	-	-	-	-	-	427,769	-	427,769
Capital projects	-	-	-	-	-	-	-	-	280,000	280,000
Park road and pad improvements	-	50,000	-	-	-	-	-	-	-	50,000
Unassigned	-	-	-	-	-	-	-	-	254,750	254,750
Total fund balances	<u>280,177</u>	<u>74,908</u>	<u>129,026</u>	<u>5,108</u>	<u>11,110</u>	<u>5,627</u>	<u>51,251</u>	<u>427,769</u>	<u>618,750</u>	<u>1,603,726</u>
Total liabilities and fund balances	<u>\$ 291,620</u>	<u>\$ 74,908</u>	<u>\$ 459,984</u>	<u>\$ 5,108</u>	<u>\$ 11,110</u>	<u>\$ 5,627</u>	<u>\$ 51,251</u>	<u>\$ 437,870</u>	<u>\$ 618,750</u>	<u>\$ 1,956,228</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
JUNE 30, 2012

Schedule 2

Special Revenue

	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Capital Projects	Total
Revenues:										
Other County tax	\$ 143,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,806
Intergovernmental	-	10,190	-	750	-	-	-	-	101,155	112,095
Charges for services	-	-	-	-	2,447	-	6,639	300	-	9,386
Use of money and property	-	14	-	-	49	-	-	88	-	151
Miscellaneous	-	-	161,706	-	-	-	-	33,909	-	195,615
Total revenues	<u>143,806</u>	<u>10,204</u>	<u>161,706</u>	<u>750</u>	<u>2,496</u>	<u>-</u>	<u>6,639</u>	<u>34,297</u>	<u>101,155</u>	<u>461,053</u>
Expenditures:										
Operating:										
Public safety and legal services	11,442	-	-	1,167	-	-	269	-	-	12,878
Governmental services to residents	-	-	-	-	7,087	-	-	-	-	7,087
Non-program	-	-	239,500	-	-	-	-	-	-	239,500
Capital projects	-	-	-	-	-	-	-	73,187	213,414	286,601
Total expenditures	<u>11,442</u>	<u>-</u>	<u>239,500</u>	<u>1,167</u>	<u>7,087</u>	<u>-</u>	<u>269</u>	<u>73,187</u>	<u>213,414</u>	<u>546,066</u>
Excess (deficiency) of revenues over expenditures	<u>132,364</u>	<u>10,204</u>	<u>(77,794)</u>	<u>(417)</u>	<u>(4,591)</u>	<u>-</u>	<u>6,370</u>	<u>(38,890)</u>	<u>(112,259)</u>	<u>(85,013)</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	501	501
Operating transfers in	-	-	-	-	-	-	-	-	320,466	320,466
Drainage district warrants	-	-	26,611	-	-	-	-	-	-	26,611
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>26,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,967</u>	<u>347,578</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>132,364</u>	<u>10,204</u>	<u>(51,183)</u>	<u>(417)</u>	<u>(4,591)</u>	<u>-</u>	<u>6,370</u>	<u>(38,890)</u>	<u>208,708</u>	<u>262,565</u>
Fund balances beginning of year	<u>147,813</u>	<u>64,704</u>	<u>180,209</u>	<u>5,525</u>	<u>15,701</u>	<u>5,627</u>	<u>44,881</u>	<u>466,659</u>	<u>410,042</u>	<u>1,341,161</u>
Fund balances end of year	<u>\$ 280,177</u>	<u>\$ 74,908</u>	<u>\$ 129,026</u>	<u>\$ 5,108</u>	<u>\$ 11,110</u>	<u>\$ 5,627</u>	<u>\$ 51,251</u>	<u>\$ 427,769</u>	<u>\$ 618,750</u>	<u>\$ 1,603,726</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2012

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,570	\$ 94,772	\$ 97,766	\$ 6,554	\$ 43,739	\$ 3,306	\$ 267,183	\$ 120,526	\$ 635,416
Other County officials	40,198	-	-	-	-	-	-	-	-	40,198
Receivables:										
Property tax:										
Delinquent	-	593	1,077	38,258	2,475	51,353	171	-	9	93,936
Succeeding year	-	167,933	225,693	6,601,968	458,895	2,462,055	272,611	-	1,848	10,191,003
Accounts	508	-	-	-	-	-	-	-	10,769	11,277
Due from other governments	-	-	-	-	-	-	-	-	19,293	19,293
Total assets	<u>\$ 40,706</u>	<u>\$ 170,096</u>	<u>\$ 321,542</u>	<u>\$ 6,737,992</u>	<u>\$ 467,924</u>	<u>\$ 2,557,147</u>	<u>\$ 276,088</u>	<u>\$ 267,183</u>	<u>\$ 152,445</u>	<u>\$ 10,991,123</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,512	\$ 3,573
Salary payable	-	-	2,732	-	-	-	-	-	1,219	3,951
Due to other governments	38,670	170,096	318,749	6,737,992	467,924	2,557,147	276,088	267,183	147,714	10,981,563
Trusts payable	2,036	-	-	-	-	-	-	-	-	2,036
Total liabilities	<u>\$ 40,706</u>	<u>\$ 170,096</u>	<u>\$ 321,542</u>	<u>\$ 6,737,992</u>	<u>\$ 467,924</u>	<u>\$ 2,557,147</u>	<u>\$ 276,088</u>	<u>\$ 267,183</u>	<u>\$ 152,445</u>	<u>\$ 10,991,123</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
Balances beginning of year	\$ 59,291	\$ 121,701	\$ 313,492	\$ 7,542,170	\$ 507,623	\$ 2,535,160	\$ 249,131	\$ 267,106	\$ 122,626	\$11,718,300
Additions:										
Property and other county tax	-	167,402	224,978	6,571,817	456,859	2,483,043	271,810	-	1,840	10,177,749
E911 surcharge	-	-	-	-	-	-	-	-	83,184	83,184
State tax credits	-	5,248	9,534	326,502	21,916	135,150	10,952	-	80	509,382
Office fees and collections	267,403	-	-	-	-	-	-	-	-	267,403
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,538,971	-	3,538,971
Assessments	-	-	-	-	-	6,069	-	-	-	6,069
Trusts	45,970	-	-	-	-	-	-	-	-	45,970
Miscellaneous	-	-	2,700	-	-	-	-	-	248,531	251,231
Total additions	313,373	172,650	237,212	6,898,319	478,775	2,624,262	282,762	3,538,971	333,635	14,879,959
Deductions:										
Agency remittances:										
To other governments	283,308	124,255	229,162	7,702,497	518,474	2,602,275	255,805	3,538,894	303,816	15,558,486
Trusts paid out	48,650	-	-	-	-	-	-	-	-	48,650
Total deductions	331,958	124,255	229,162	7,702,497	518,474	2,602,275	255,805	3,538,894	303,816	15,607,136
Balances end of year	\$ 40,706	\$ 170,096	\$ 321,542	\$ 6,737,992	\$ 467,924	\$ 2,557,147	\$ 276,088	\$ 267,183	\$ 152,445	\$10,991,123

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:										
Property and other County tax	\$ 6,338,691	\$ 6,042,672	\$ 5,674,033	\$ 5,345,023	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391
Interest and penalty on property tax	33,281	36,895	31,505	30,723	31,381	27,190	28,124	22,861	35,254	29,879
Intergovernmental	4,988,656	7,923,493	4,884,308	4,758,872	5,772,915	5,619,776	6,076,916	5,860,587	5,682,265	5,410,699
Licenses and permits	15,241	19,162	16,778	15,498	25,132	8,877	8,072	7,828	9,479	7,235
Charges for service	876,069	873,333	919,544	826,549	1,191,135	827,809	771,814	683,703	829,273	708,429
Use of money and property	128,809	138,453	141,518	170,658	277,837	327,506	267,324	165,447	127,201	155,856
Miscellaneous	303,411	899,180	599,664	217,871	710,367	144,587	446,893	313,523	921,505	511,811
Total	<u>\$12,684,158</u>	<u>\$15,933,188</u>	<u>\$12,267,350</u>	<u>\$11,365,194</u>	<u>\$12,871,041</u>	<u>\$11,790,368</u>	<u>\$11,993,970</u>	<u>\$11,082,506</u>	<u>\$12,109,486</u>	<u>\$11,280,300</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 1,828,755	\$ 1,711,627	\$ 1,796,321	\$ 1,743,535	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275
Physical health and social services	1,943,008	2,133,171	2,464,403	2,516,749	3,506,317	3,323,350	3,199,600	3,287,599	3,442,855	3,359,161
Mental health	1,535,643	1,251,283	1,047,115	1,195,894	1,195,363	1,172,381	1,111,901	1,167,669	1,220,833	1,210,341
County environment and education	613,135	596,640	597,872	586,866	674,639	590,597	711,907	774,224	535,968	418,674
Roads and transportation	4,140,173	4,262,182	4,204,058	3,551,781	3,530,344	3,407,286	3,422,375	3,168,461	3,258,877	3,143,472
Governmental services to residents	500,848	466,697	455,365	414,838	411,312	377,359	367,729	325,891	303,527	256,362
Administration	908,429	899,804	950,042	937,809	897,791	853,276	815,228	812,006	823,195	763,239
Non-program	241,590	214,867	601,910	698,690	407,737	223,969	359,311	240,342	197,328	399,368
Capital projects	286,601	398,440	229,010	288,425	617,984	559,126	576,827	197,437	410,306	264,945
Total	<u>\$11,998,182</u>	<u>\$11,934,711</u>	<u>\$12,346,096</u>	<u>\$11,934,587</u>	<u>\$12,488,284</u>	<u>\$11,717,665</u>	<u>\$11,715,466</u>	<u>\$11,348,411</u>	<u>\$11,320,374</u>	<u>\$10,923,837</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents; and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Calhoun County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Calhoun County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-(A-C)-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items I-(D-E)-12. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 30, 2013

Hunnegelman, Putzier & Co., PLLC

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor –

1. Auditor's office employees are cross-trained. As to the operating procedures the mail is opened by the Auditor and distributed, checks are receipted promptly. There are four employees involved in preparing, processing, reviewing and mailing out checks. All checks are mailed promptly.
2. The warrants are reviewed by the Auditor before mailing out. All checks are mailed from the Auditor's office.

Response – Treasurer – I have begun to implement small but positive steps to segregate duties. I personally open all the mail and rotate processing so that motor vehicle personnel process tax mail and tax personnel process motor vehicle mail. That insured that those opening, processing and balancing the collections were different people. I am still insisting that I open the mail. I once again reiterate how difficult it is in an office with only five employees to totally segregate duties. This issue comes up every year and is a "solution in progress".

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

I-A-12 Segregation of Duties – (Continued)

Response – Recorder – When it comes to duties within the office of Recorder, I have myself and my full time deputy. Approximately twice a week, I also employ the previous retired Recorder to help me with paperwork of filing vital records, boats, snows & atv's, and to help me maintain my daily tasks. I generally open the daily mail, but in my absence, my deputy will do this. I have my part time employee reconcile my bank account each month and I write out and sign required checks on a monthly basis. All my duties must be shared by my staff in the event of my absence. An employee requirement is to be cross trained as much as possible. This office strives for protocol and maintains a professional attitude and awareness to the citizens and customers of Calhoun County.

Response – Sheriff – Calhoun County Sheriff's Office is a small office that makes it nearly impossible to follow all recommendations made by the independent auditor. We do our best to comply with the recommendations of opening mail, reconciling cash books and statements and signing checks, and will continue to try and follow recommendations set forth by the independent auditor.

Conclusion – Response accepted.

I-B-12 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – We have addressed this control risk by engaging certified public accountants to prepare the financial statements. We have also appointed persons with sufficient knowledge to evaluate the preparation of the financial statements, and have reviewed and accepted the financial statements. There are sessions as part of our ISAC (Iowa State Association of Counties) training that are attended when available.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

I-C-12 Bank Reconciliation – The Treasurer is responsible to keep a true account of all receipts and disbursements of the county. Receipts and disbursements are recorded using the county's computer software. A report called a general ledger summarizes the receipts and disbursements and calculates an ending cash balance. This calculated ending cash balance from the general ledger should be matched, or reconciled, each month to the actual cash on hand and on deposit with banks. This process of reconciling identifies various cash items that are in transit between the county and the banks. The reconciliation is complete when all cash items that are in transit have been identified. A complete reconciliation ensures that all receipts and disbursements have been recorded in the county's computer software. During the year, the Treasurer began reconciliations for each month but was unable to identify all cash items that were in transit, so the reconciliations were incomplete. Since the reconciliations are incomplete, it is not known whether the general ledger is accurate with regard to receipts and disbursements or ending cash balance.

Recommendation – The general ledger ending cash balance should be made accurate in order to start the new fiscal year with the correct cash balance. The Treasurer should determine the correct cash balance for the end of the fiscal year. The Treasurer should correct the general ledger and, if necessary, consult with the software company to assist with this correction. Once the general ledger is correct, the Treasurer should ensure that the ending cash balances are brought forward to the new fiscal year in order to start the year with the correct cash balances. The Treasurer should then immediately begin the process of reconciling every month since the beginning of the new fiscal year. Each month should be reconciled completely before starting the next month's reconciliation. The Treasurer should consult with other departments, as necessary, to determine that all cash items in transit have been identified. Once the monthly reconciliations for the new fiscal year are completed and are up to date, the Treasurer should strive to complete the monthly reconciliations promptly following the end of every month. A reconciliation completed promptly ensures that errors and software problems are corrected on a timely basis and are not allowed to accumulate.

Response – As County Treasurer, I must take responsibility for balancing and reconciling but I would also like to response by saying that all departments need to be more responsible for making sure that monies are brought to the Treasurer's Office in a timely manner for receipting. Some departments do not give us timely notifications of monies they receive, which in turn becomes an end-of-the-month balancing issue. The State offices have tried to give better notification to the local government but there is sometimes still a lapse there. The Treasurer's office has become much better at checking bank deposits online on a more regular basis to avoid non-receipts. Also, departments need to be aware when they are making corrections/adjustments that they are doing so correctly. I do not know when other departments make corrections and if they are not made properly, these changes sometimes become very difficult to find and reconcile. The Treasurer is striving harder to be much more thorough. We had Tyler Technologies come in and show us a few "tricks" to balancing. I have found that some problems are created when an invoice is paid out of two different funds. That apparently has caused some issues when making corrections.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: (Continued)

INSTANCES OF NON-COMPLIANCE:

- I-D-12 Financial Condition – The Special Revenue-Mental Health fund had a deficit fund balance of approximately \$90,000 due to payables as of June 30, 2012.
The Proprietary Fund-Internal Service Employee Group Health fund had a deficit net asset balance of approximately \$97,000 due to payables as of June 30, 2012.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return the Funds to a sound financial condition.

Response - Special Revenue - Mental Health – In FY12 budget preparation it was assumed we would be receiving all the revenues in previous years. With County budgets being certified in March and our state legislature not completing its session until after that, there were revenues that were taken out of our budget by the state that were unknown. This deficit has carried over into FY13. This year, with the current Mental Health redesign continuing, we are currently waiting to find out if we will receive any transition funding, eligible for approximately \$27,000 if appropriated and also to see if they fund the levy equalization. Calhoun County's levy would increase to \$47.28 per capita, but only if this is acted upon and funded. Cash flow is the biggest problem. Once this department is sure of tax receipts and knows what the legislature is going to do and not going to do, this deficit could be completely resolved by end of FY13 or shortly thereafter.

Response - Proprietary Fund - Internal Service – On July 1, 2012, the County switched from self-funded to fully insured plan.

Conclusion – Response accepted.

- I-E-12 Excess Balance – The Capital Projects funds have balances at June 30, 2012 in excess of one year's expenditures and unassigned fund balances of approximately \$250,000.

Recommendation – The County should determine the necessity of maintaining these substantial balances and consider returning the unassigned fund balances to the General fund.

Response – We have now completed another portion of windows in the Courthouse and are planning to continue window projects until the entire courthouse is done. This is budgeted to be done in FY 13/14 using LOSST funds to complete. There are dollars in the Capital Project account for ES & S election equipment – this is an expense that as County Auditor, I want to be prepared for any state or Federal election law requirements. Courthouse heating system – boiler computer update for boiler function. The maintenance supervisor does not foresee any major project but in case of an emergency there are funds without borrowing. There are several areas in Capital Projects that the Board has authorized to use LOSST funds and the Capital Project dollars will be transferred back to General Basic fund. Keith Roos, Conservation Director, will be requesting dollars or bids concerning a shelter, etc. at the campgrounds from the Conservation Trust fund.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-12 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Anderson Construction, owned by the spouse of an Assessor's office employee	Well closure	\$ 561
Snap-on Tools, owned by the spouse of a Department of Health employee	Tools	\$ 280
Trae's Tree Service, owned by Trae Thomas, Sheriff employee and EMT	Tree trimming	\$ 2,435
Zehr's Auto, owned by the spouse of a Sheriff's department employee	Repairs	\$256

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Trae's Tree Service may represent a conflict of interest since the total transactions were more than \$1,500 during the fiscal year.

Recommendation – The County should review those transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – Trae's Tree Service is bonded and insured which is required by our insurance carrier. Trae's Tree Service is the one and only in the area that is bonded. The majority of the tree trimming was from an ice storm several years ago. Over the winter tree damage was finally showing up. There also was a tree that was split and taken down for safety reasons.

Conclusion – Response accepted.

- II-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-12 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012, for the County Extension office did not exceed the amount budgeted.